From:	Stan Sokolowski <ssokolowski@cifc.com>
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CC:	
Date:	Mon, 8/31/2015 6:17:57 PM
Subject:	Daily Update

Quote the Day

"Big stock market corrections do not come out of a clear blue sky. They are important signals of trouble to come in the real economy and hence corporate earnings" – Jeremy Warner

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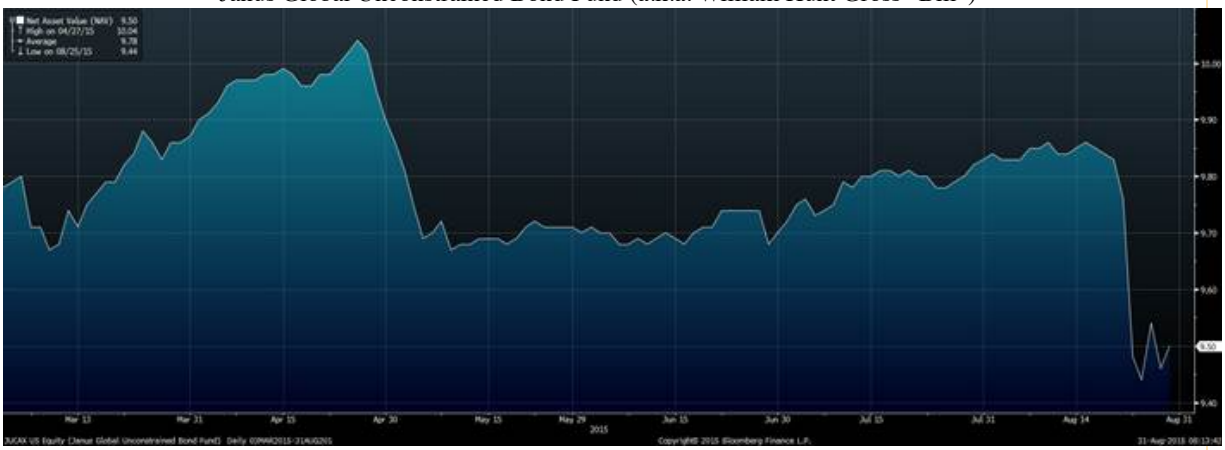
- The weekend headlines focused on Jackson Hole and Central Bankers' confident demeanor that could be signaling liftoff next month. Global equity markets are red today as investors continue to digest this potential reality (again). China was also in the news as the media focused on their efforts to support the stock market by buying gazillions worth of shares. The Shanghai was down 3% overnight and has shed 12.5% during August. Goldman Sachs also reduced their three year China GDP forecasts over the weekend (mid to lower 6%s now). Commodities (and Oil) are weaker again this morning (Reuters had a story out on Friday on how OPEC members are lowering their price expectations again). In other news, Goldman also reduced their Q3 GDP tracking estimate to 2.3% last week, Puerto Rico delayed their restructuring plan until next month, retail equity mutual funds experienced $19bn of outflows last week and Bill Gross's bond fund is struggling this month. It should be a quiet day as London has a bank holiday and participants begin to return from summer holidays over the next week. Futures: -16. 10 year: 2.14%

Janus Global Unconstrained Bond Fund (a.k.a. William Hunt Gross "Bill")



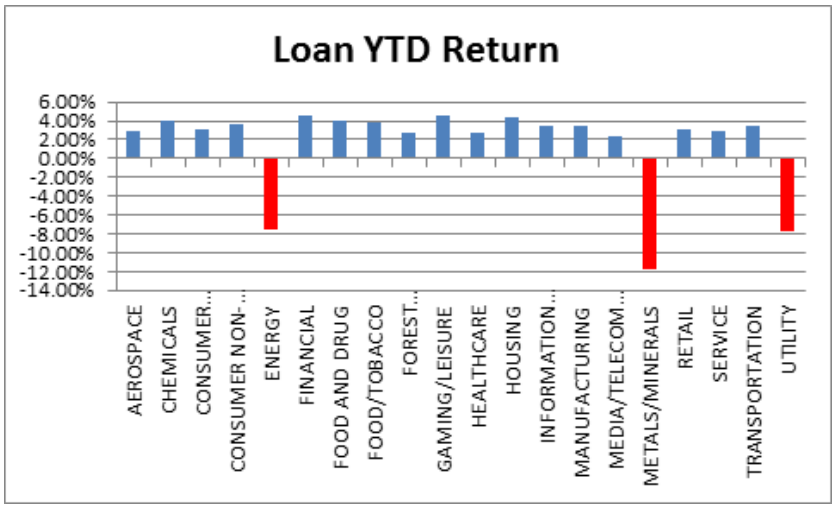
- Data: Chicago Purchasing Manager and Dallas Fed Manufacturing Activity later this morning. Euro-area August inflation comes in at 0.2% (vs. 0.1% exp). Japanese output falls by 0.6% (vs. +0.1% exp). This week's main events: ISM manufacturing on Tuesday, Factory Orders on Wednesday, ISM non-manufacturing on Thursday, Jobs Friday and more Fed speakers throughout the week

- Credit: Friday was a quiet day for loans. Items of due diligence focus this week for loan market participants:

    - Breadth of markets
    - Volume
    - Actual levels
    - Actual trading
    - Size of trades (most have been tiny).

  Investors are also seeking to understand the cadence and timing of the CLO calendar and retail flows over the coming weeks. About half the names (46%) in the Oil & Gas sector of the LSTA / S&P Index are now trading below 80 (distressed levels). Investment Grade bonds are saw a $2bn outflow last week (mutual funds had their third largest outflow on record). $7bn has not left the IG market in the past seven weeks. Look out below?... The relative value between high yield and loans continues its drift wider. Be aware (and bring comps to investment committee please)! Let's make sure we are thinking about the potential price pressure associated with downgrades as CLO managers get "forced" to manage risk buckets (the drillers are a very recent case study). Also, news has been leaking out on the losses that Jeffries ($100mm) and

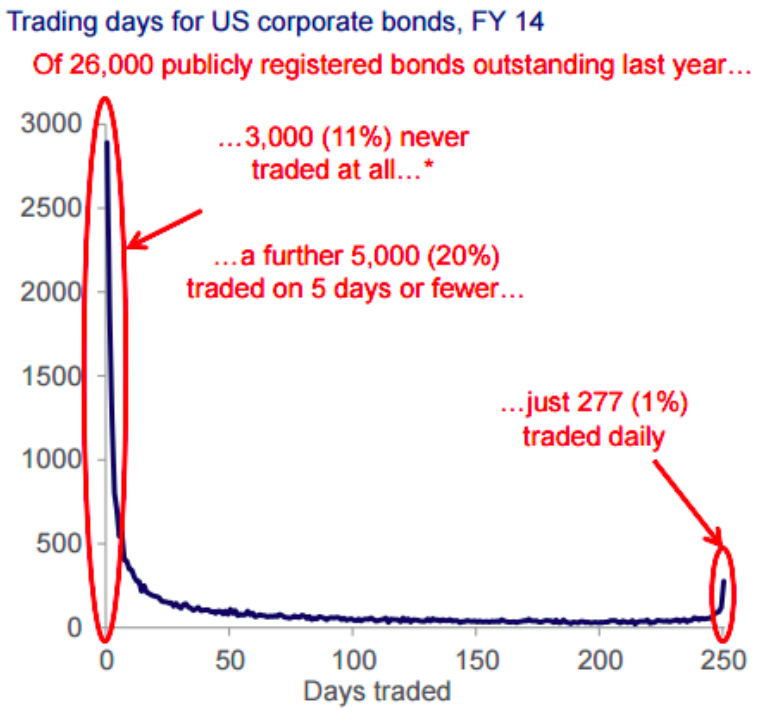
Goldman ($50mm) have sustained on their distressed trading desks. As Warren Buffet says, "You see a cockroach in your kitchen; as the days go by, you meet his relatives."



Nice work Team! Let's keep it up!

Portfolio / Index YTD Returns As Of	May 31, 2015	Jun 30, 2015	Jul 31, 2015	Aug 28, 2015
JPMorgan Leveraged Loan Index	3.29 %	3.00 %	3.31 %	2.70 %
S&P/LSTA Leveraged Loan Index	3.26 %	2.83 %	2.82 %	2.04 %
Credit Suisse Leveraged Loan Index	3.19 %	2.87 %	2.96 %	2.19 %
JPMorgan 2nd Lien Index	4.32 %	4.10 %	3.25 %	1.43 %
JPMorgan HY Index	4.17 %	2.75 %	2.01 %	-0.05 %
CIFC Senior Secured Corporate Master Fund L.P.	3.49 %	3.82 %	4.27 %	3.94 %
CIFC Tactical Income Fund	4.36 %	4.59 %	4.66 %	4.47 %

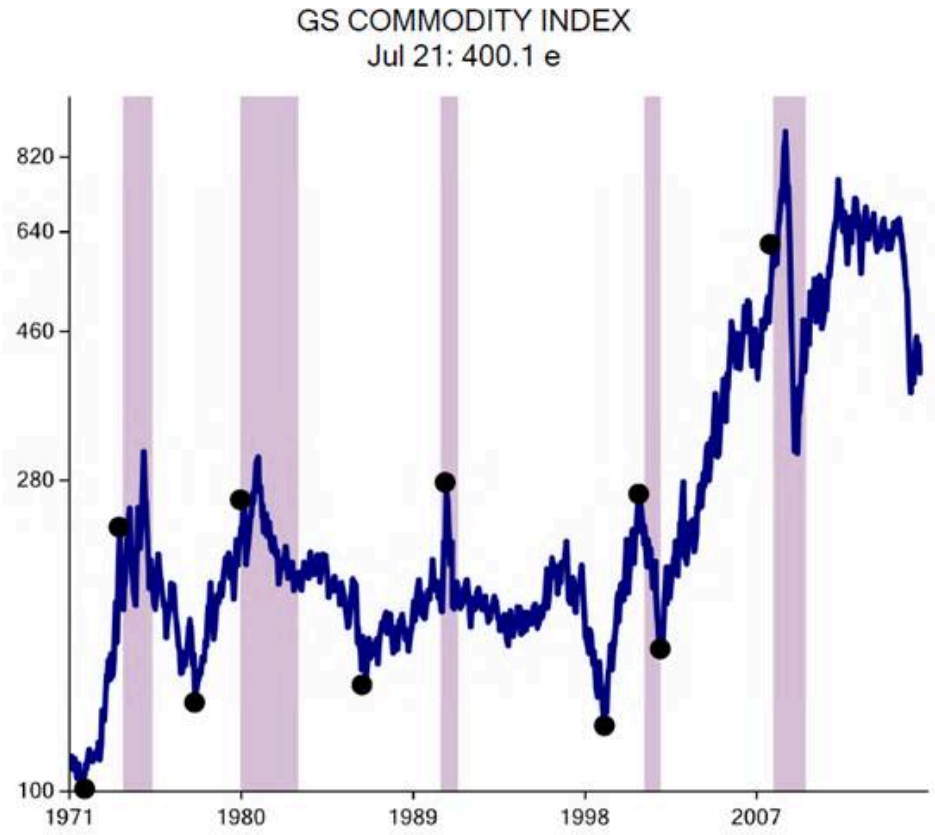
"Bonds are liquid"????


Trading days for US corporate bonds, FY 14
Of 26,000 publicly registered bonds outstanding last year…
…3,000 (11%) never traded at all…*
…a further 5,000 (20%) traded on 5 days or fewer…
…just 277 (1%) traded daily
3000
2500
2000
1500
1000
500
0
0
50
100
150
200
250
Days traded
Source: Citi Research, MarketAxess, Bloomberg, TRACE.
*This is just the number of publicly registered bonds which didn't trade. The total number – including private placements and the like – is likely far higher.

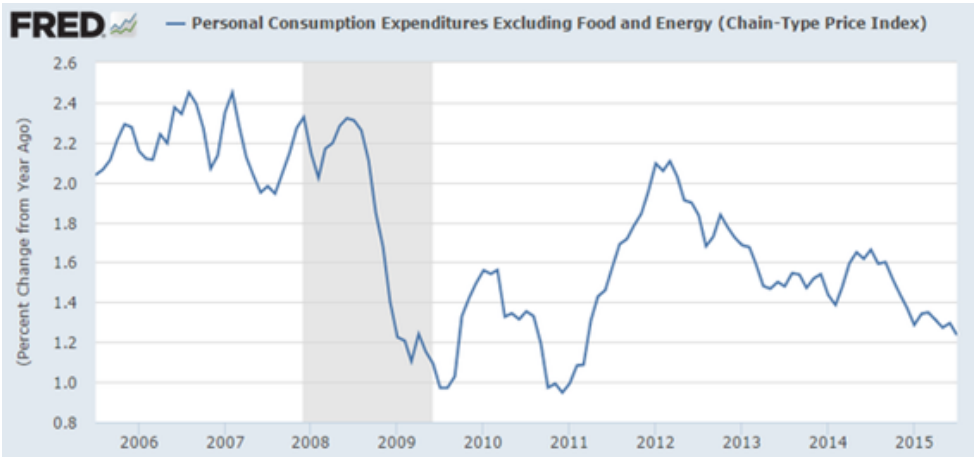
SOURCE: CITI RESEARCH

- Charts of the day:

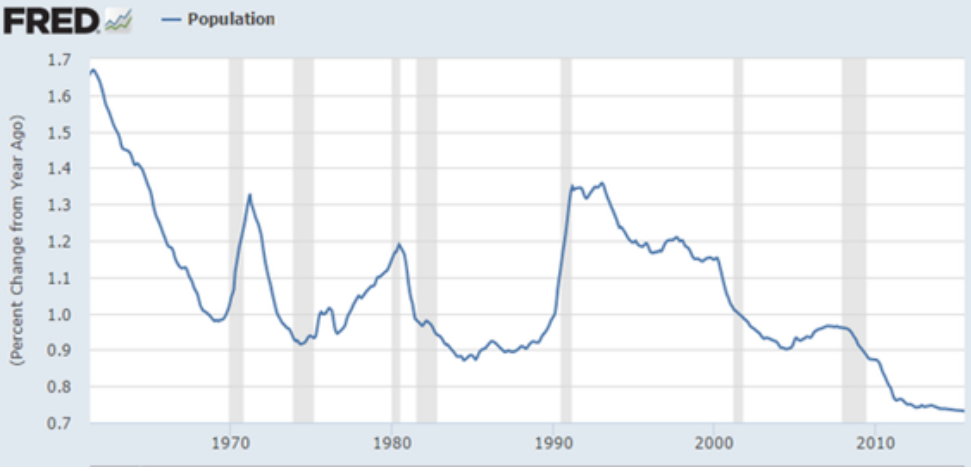
Who knew?
(Indicates that US recessions are preceded by surging not weak commodity prices)



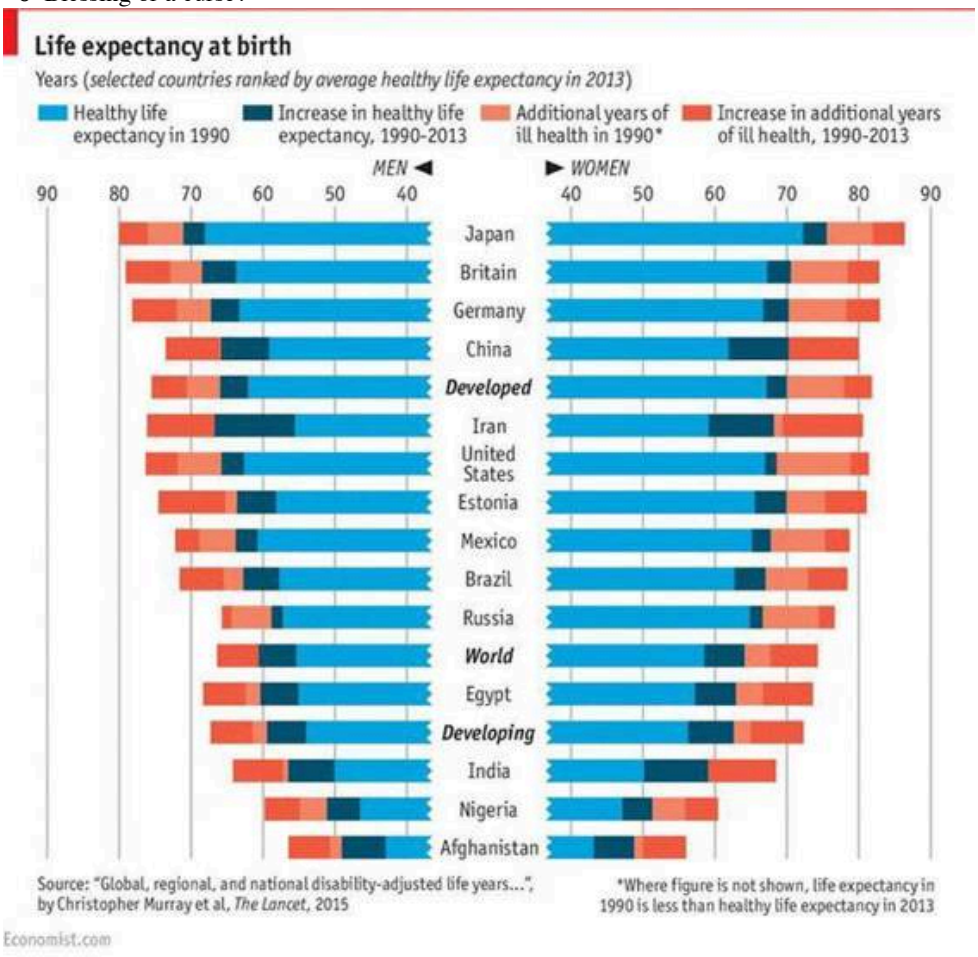
Personal Consumption
(lowest in 4 years…..)



Not good either
(US population growth)



- Other:
  - Exclusive: Arab OPEC producers brace for oil-price weakness for rest of 2015 http://www.reuters.com/article/2015/08/28/us-opec-oil-prices-exclusive-idUSKCN0QX1IE20150828
  - Blessing or a curse?



- HY: 104 ½ (-5/16)
- IG: 81 ¼ (+31/32)
- CSSL: -0.71% mtd / 2.23%

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